

Citigroup Inc.(C)

\$52.52 (As of 09/04/20)

Price Target (6-12 Months): **\$56.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 05/05/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: B

Summary

Shares of Citigroup have underperformed the industry in the past three months. Yet, the company has an impressive earnings surprise history, beating the Zacks Consensus Estimate in all the trailing four quarters. Citigroup's streamlining efforts, along with strategic investments in core business, bode well for the long term. Also, net interest revenues will likely be supported by loan growth and mix, despite low rates. A shrinking cost base due to the wind-down of legacy assets is aiding bottom-line growth of Citigroup. Notably, following the 2020 stress test results, it has decided to keep the dividend amount at the same level as before. Moreover, manageable debt level is a tailwind. Yet, pending litigation issues might keep legal expenses elevated for the company. Additionally, a subdued consumer banking business is a concern.

Data Overview

52-Week High-Low	\$83.11 - \$32.00
20-Day Average Volume (Shares)	18,157,006
Market Cap	\$109.3 B
Year-To-Date Price Change	-34.3%
Beta	1.75
Dividend / Dividend Yield	\$2.04 / 3.9%
Industry	Banks - Major Regional
Zacks Industry Rank	Bottom 12% (222 out of 251)

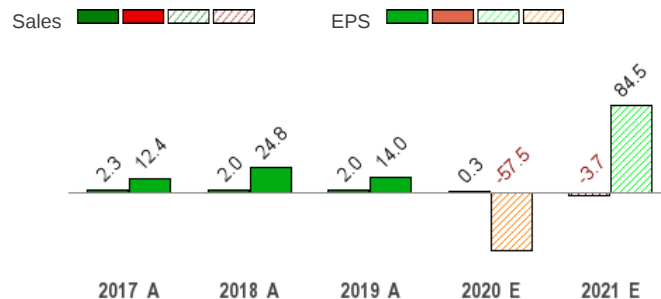
Last EPS Surprise	6.4%
Last Sales Surprise	3.1%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	10/20/2020
Earnings ESP	0.0%

P/E TTM	9.7
P/E F1	16.3
PEG F1	1.3
P/S TTM	1.1

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	18,621 E	17,871 E	18,139 E	17,745 E	71,731 E
2020	20,731 A	19,766 A	17,242 E	16,767 E	74,504 E
2019	18,576 A	18,758 A	18,574 A	18,378 A	74,286 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.14 E	\$1.17 E	\$1.63 E	\$1.94 E	\$5.94 E
2020	\$1.06 A	\$0.50 A	\$0.80 E	\$0.62 E	\$3.22 E
2019	\$1.87 A	\$1.83 A	\$1.98 A	\$1.90 A	\$7.58 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/04/2020. The reports text is as of 09/07/2020.

Overview

Citigroup Inc. is a globally diversified financial services holding company providing a range of financial products and services including consumer banking and credit, corporate and investment banking, securities brokerage and wealth management to consumers, corporations, governments and institutions. Citigroup has around 200 million customer accounts in over 160 countries and jurisdictions.

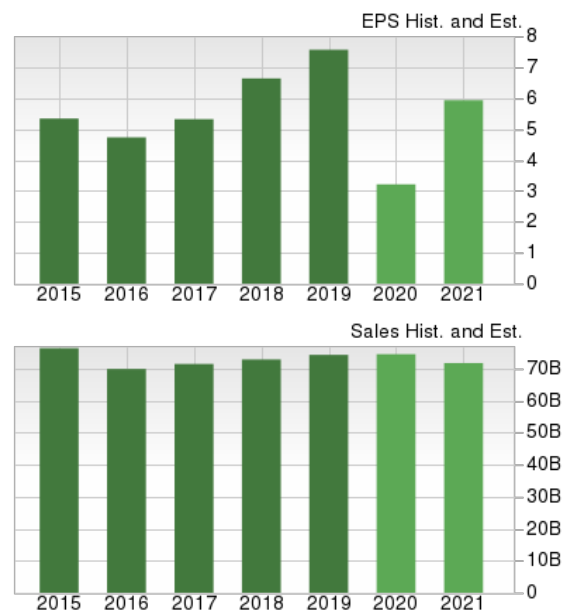
Citigroup currently reports via three business segments effective first-quarter 2017.

- **Global Consumer Banking (GCB)** (contributes 44% to total revenues in 2019) business includes retail banking, Citi-branded cards and Citi retail services in North America, Asia, Latin America, Europe, the Middle East, and Africa.
- **Institutional Clients Group (ICG)** (53%) consists of Banking and Markets and Securities services.
- **Corporate/Other** (3%) comprise global staff functions and other corporate expenses, unallocated global operations, as well as technology, Corporate Treasury and discontinued operations.

In July 2018, Scotiabank's Colombian subsidiary, Banco Colpatria Multibanca Colpatria S.A., acquired the consumer (retail and credit cards), and small and medium enterprise operations of Citibank in Colombia.

In October 2017, Citigroup completed the sale of consumer business in Brazil to Itau Unibanco. The deal was inked for around \$220 million. In August 2017, Citigroup completed the sale of the fixed income analytics (Yield Book) and a fixed income index business. The transaction generated a pre-tax gain on sale of \$580 million (\$355 million after-tax).

In March 2017, Citigroup completed the sale of CitiFinancial, its subprime lending unit in Canada, to an investor group led by private investment firm – JC Flowers and Vårde Partners – initiated in November 2016. Citigroup also completed sell of consumer banking business in Argentina to Banco Santander Rio, entered in October 2016.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ With improvement in the interest-rate scenario following the rate hikes and steady loan growth, strain on net interest revenues continued to ease in the past couple of years. In 2018 and 2019, uptrend in NIR was recorded, after witnessing a declining trend for years. Though results for the first half of 2020 disappointed as the Federal Reserve's emergency move to lower interest rates to near zero hampered net interest revenue growth, steady loan growth is likely to provide some respite on an expected economic recovery.
- ▲ Citigroup's long-term strategy to shrink its non-core assets and increase fee-based business mix would improve valuation over time. The rundown of Citi Holdings – its legacy problem assets portfolio – is largely complete. These runoffs ultimately reduce the company's risk profile and free up capital for investment in core businesses.
- ▲ Operating expenses witnessed a negative CAGR of 1.5% over the five-year period (2015-2019), with the decreasing trend continuing in the first half of 2020. Expenses dipped as the impact of higher volume-related expenses, and ongoing investments were more than offset by efficiency savings and the wind-down of legacy assets. Therefore, persistent downtrend in expenses will aid bottom-line expansion.
- ▲ Citigroup has been emphasizing on growth in core businesses through expense management and streamlining operations internationally. Further, the company continues to optimize its branch network, with focus on core urban markets, improving digital channels and reducing branches. The company is also making investment in several areas to stoke growth. For instance, in its Mexico consumer franchise, the company intends to improve operating efficiency and returns, and remains on track with the \$1-billion investment program which is expected to be complete by 2020. Additionally, the ongoing investments in branded cards support the company's growth strategy. Such efforts should help augment the company's profitability and efficiency, over the long term.
- ▲ As of Jun 30, 2020, the company holds a debt level of \$684.9 billion and debt-capital ratio of 0.59X, which have remained volatile over the past few quarters. Therefore, with a time-interest-earned ratio of 2.3X over the past few quarters and a record of consistent earnings, Citigroup carries low credit risk, and has a lesser likelihood of default of interest and debt repayments if the economic situation worsens.
- ▲ Driven by a solid capital position, Citigroup remains committed towards enhancing its shareholders' value with steady capital deployment activities. The company had increased its quarterly dividend by 13.3% in July 2019. Also, it had a share repurchase program in place, that was suspended mid-March following the coronavirus crisis. Notably, following the announcement of 2020 stress test results, the company will be maintaining the dividend level as before and keep share repurchases suspended in the third quarter of 2020 as well. Though the dividend payout ratio is below the industry average, the figure indicates constant improvement in earnings over the past few quarters. We believe that the company's financial strength will continue to inspire investors' confidence in the stock.
- ▲ Shares of Citigroup have underperformed the industry's growth in the past three months. Despite this unfavorable trend, the company's current-year earnings estimate has been revised 12.2% upward over the last 30 days. Also, the stock is undervalued as its price-to-book value and price-cashflow ratios are lower than the respective industry averages. Therefore, given the strong fundamentals and positive estimate revisions, the stock has upside potential.

A diverse business model, focus on core operations and streamlining of international businesses will continue to support Citigroup's growth. Further, manageable debt level is a tailwind.

Reasons To Sell:

- ▼ Citigroup's non-interest income witnessed a five-year negative CAGR (2015-2019) of 2.9%, with some annual volatility. The dismal performance of equity-market revenues and volatile underwriting business strained fee income. Though income increased in the first half of 2020 on a strong investment banking business, the second half might disappoint on subdued global consumer banking business due to the adverse impact of the COVID-19 crisis.
- ▼ Citigroup continues to encounter many investigations and lawsuits from investors and regulators. Though the company resolved certain litigations related to the sale of risky mortgage-backed securities and other issues, many of the cases are yet to be resolved. As Citigroup continues to work through its legacy legal issues, we believe the company might continue to witness elevated legal expenses and litigation provisions, which will likely hurt its financials.
- ▼ Citigroup's trailing 12-month return on equity (ROE) undercuts its growth potential. Though the company's ROE of 7.4% has gradually improved over the years, it compares unfavorably with the 8.52% industry average, highlighting that it is less efficient in using shareholders' funds.

Citigroup is burdened with numerous investigations and lawsuits escalating legal costs and limiting the company's business growth. Moreover, muted fee income is a concern for the company.

Last Earnings Report

Citigroup Q2 Earnings Beat Estimates, Revenues Escalate

Citigroup delivered an earnings surprise of 6.4% in second-quarter 2020 on robust revenue strength. Earnings per share of 50 cents for the quarter handily outpaced the Zacks Consensus Estimate of 47 cents. Results were, however, down significantly from the prior-year quarter.

Citigroup recorded higher revenues on investment banking and market revenues during the reported quarter. Though equity market revenues disappointed on a more challenging environment in derivatives, and prime finance and securities services revenues declined, fixed income revenues were on an upswing reflecting strength in rates and currencies, spread products and commodities. Moreover, investment banking revenues increased on solid underwriting business, partly muted by lower advisory business.

Additionally, fall in expenses was on the upside. However, elevated cost of credit due to the pandemic is a major drag.

Net income was \$1.3 billion compared with the \$4.8 billion recorded in the prior-year quarter.

Revenues Improve, Expenses Down

Revenues were up 5% year over year to \$19.8 billion in the second quarter. The reported figure also beat the Zacks Consensus Estimate of \$19.2 billion. Higher revenues from Institutional Clients Group mainly led to this upside, partly offset by lower revenues from Global Consumer Banking and Corporate/Other.

In ICG segment, revenues came in at \$12.1 billion in the quarter, up 21% year over year. Higher investment banking and fixed income market revenues were partly muted by lower equity market revenues and corporate lending.

GCB revenues decreased 10% year over year to \$7.3 billion. Lower revenues in North, Latin America and Asia GCB due to the pandemic resulted in this decline. Notably, both retail banking and card revenues witnessed declines.

Corporate/Other revenues came in at \$290 million, plunging 49% from the prior-year quarter. This downside stemmed from the wind-down of legacy assets and impact of low rates, partly mitigated by AFS gains.

Operating expenses at Citigroup edged down 1% year over year to \$10.4 billion. Efficiency savings and reduction in marketing and other discretionary expenses resulted in this decline. These were mostly negated by rise in compensation expenses, along with continued investments in the franchise and coronavirus related costs.

Stable Balance Sheet

At the end of the April-June quarter, Citigroup's end of period assets was \$2.23 trillion, up 1% sequentially. Deposits were up 4% sequentially to \$1.23 trillion. The company's loans decreased 5% sequentially to \$685 billion.

Credit Quality: A Mixed Bag

Citigroup's costs of credit for the June-end quarter were up significantly year over year to \$7.9 billion. Notably, higher allowance for credit loss reserves (ACL), the corporate loan downgrades and the qualitative management adjustment mainly led to this upsurge. Cost of credit includes elevated net credit losses of \$2.2 billion and a credit reserve build of \$5.6 billion, and other provisions of \$94 million.

Total non-accrual assets jumped 58% year over year to \$5.9 billion. The company reported a drop of 7% in consumer non-accrual loans to \$1.8 billion. Nonetheless, corporate non-accrual loans of \$4 billion more than doubled from the year-earlier period.

Citigroup's total allowance for loan losses was \$26.4 billion at the end of the reported quarter, or 3.89% of total loans, compared with the \$12.5 billion, or 1.82%, recorded in the year-ago period.

Solid Capital Position

At the end of the April-June period, Citigroup's Common Equity Tier 1 Capital ratio was 11.5%, down from the prior-year quarter's 11.9%. The company's supplementary leverage ratio for the quarter came in at 6.7%, up from the year-earlier quarter's 6.4%.

As of Jun 30, 2020, book value per share was \$83.41, up 5% year over year, and tangible book value per share was \$71.15, up 5% from the comparable period last year.

Outlook

Looking forward to the third quarter and the remaining of 2020, management expects the environment to be challenging and uncertain. On the top line, it expects to see continued pressure in consumer, reflecting the impact of rates and lower levels of activity related to the pandemic. Also, the low-rate environment is likely to keep hurting accrual businesses in ICG.

Markets and Investment Banking businesses are expected to reflect broader industry trends. Therefore, management projects normalization relative to the first half of 2020. Further, it anticipates these headwinds in the second half of the year to result in full-year revenues that are flat to down slightly, with the decline in net interest revenues more or less offset by non-interest revenues on a full-year basis.

On the expense side, management remains focused on protecting employees and supporting customers. And we continue to feel good about the

Quarter Ending	06/2020
Report Date	Jul 14, 2020
Sales Surprise	3.06%
EPS Surprise	6.38%
Quarterly EPS	0.50
Annual EPS (TTM)	5.44

investments we are making, particularly in our digital capabilities, and infrastructure and control. Therefore, it continues to explore all opportunities to operate more efficiently to fund investments made in digital capabilities and infrastructure and control and offset headwinds induced by the pandemic. Overall, expenses are likely to be flat to down slightly for 2020.

Management expects a higher level of losses in the days to come given the current outlook, offset by the release of existing reserves. The overall level of reserves in the second half of the year is dependent on the environment relative to the current outlook.

Recent News

Dividend Update

On Jul 23, Citigroup's board of directors announced a quarterly dividend of 51 cents per share on its common shares. The dividend was paid on Aug 28, to its shareholders of record as of Aug 3, 2020.

Valuation

Citigroup's shares are down 34.3% in the year-to-date period and 23.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 31.7% and 15% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry the sector is down 19.8% and 8.6%, respectively.

The S&P 500 Index is up 2.2% in the year-to-date period and 10.7% in the past year.

The stock is currently trading at 10.33X forward 12 months earnings, which compares to 13.39X for the Zacks sub-industry, 16.66X for the Zacks sector and 22.86X for the S&P 500 index.

Over the past five years, the stock has traded as high as 14.28X and as low as 4.07X, with a 5-year median of 9.51X. Our Neutral recommendation indicates that the stock will perform better in-line with the market. Our \$56 price target reflects 11X forward earnings.

The table below shows summary valuation data for C

Valuation Multiples - C					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.33	13.39	16.66	22.86
	5-Year High	14.28	14.2	16.66	22.86
	5-Year Low	4.07	8.01	11.6	15.25
	5-Year Median	9.51	11.37	14.26	17.6
P/TB TTM	Current	0.74	1.57	3.39	12.96
	5-Year High	1.35	2.68	4	13.83
	5-Year Low	0.51	1.21	2.01	6.03
	5-Year Median	0.97	2.11	3.48	9.55
P/S F12M	Current	1.51	2.88	6.23	4.19
	5-Year High	2.88	4.59	6.67	4.19
	5-Year Low	0.98	2.39	4.97	2.53
	5-Year Median	2.19	3.59	6.07	3.07

As of 09/04/2020

Industry Analysis Zacks Industry Rank: Bottom 12% (222 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Bank of America Corporation (BAC)	Neutral	3
JPMorgan ChaseCo. (JPM)	Neutral	3
KeyCorp (KEY)	Neutral	3
MT Bank Corporation (MTB)	Neutral	3
The PNC Financial Services Group, Inc (PNC)	Neutral	4
U.S. Bancorp (USB)	Neutral	3
Wells FargoCompany (WFC)	Neutral	4
Fifth Third Bancorp (FITB)	Underperform	4

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Banks - Major Regional				Industry Peers		
	C	X Industry	S&P 500	BAC	JPM	WFC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	3	4
VGM Score	F	-	-	F	D	F
Market Cap	109.34 B	33.22 B	23.38 B	229.95 B	315.49 B	102.14 B
# of Analysts	10	8	14	9	10	11
Dividend Yield	3.88%	3.88%	1.62%	2.71%	3.48%	1.61%
Value Score	D	-	-	D	C	D
Cash/Price	8.77	2.41	0.07	4.27	4.08	4.09
EV/EBITDA	-12.36	-0.76	13.13	-8.86	-8.68	-1.50
PEG F1	1.34	2.33	2.96	2.33	3.47	127.72
P/B	0.63	0.85	3.22	0.95	1.35	0.64
P/CF	5.15	6.54	12.65	7.23	7.37	3.74
P/E F1	16.31	14.63	21.59	16.34	17.36	1,239.50
P/S TTM	1.09	1.87	2.44	2.16	2.28	1.11
Earnings Yield	6.13%	6.83%	4.42%	6.10%	5.76%	0.08%
Debt/Equity	1.60	0.88	0.70	1.08	1.35	1.45
Cash Flow (\$/share)	10.20	6.63	6.93	3.67	14.04	6.63
Growth Score	F	-	-	F	D	D
Historical EPS Growth (3-5 Years)	10.06%	10.96%	10.41%	21.29%	13.82%	-6.26%
Projected EPS Growth (F1/F0)	-57.55%	-42.47%	-4.75%	-40.93%	-44.38%	-99.54%
Current Cash Flow Growth	2.56%	2.66%	5.22%	3.02%	9.35%	-1.58%
Historical Cash Flow Growth (3-5 Years)	7.31%	9.49%	8.49%	27.50%	10.67%	1.85%
Current Ratio	0.98	0.89	1.35	0.93	0.88	0.88
Debt/Capital	59.26%	44.79%	42.95%	49.62%	56.09%	56.18%
Net Margin	13.64%	18.16%	10.25%	19.09%	18.16%	6.26%
Return on Equity	7.40%	8.52%	14.59%	9.11%	10.75%	4.33%
Sales/Assets	0.05	0.05	0.50	0.04	0.05	0.05
Projected Sales Growth (F1/F0)	0.29%	-1.23%	-1.42%	-5.24%	0.15%	-15.86%
Momentum Score	B	-	-	B	C	C
Daily Price Change	1.98%	2.06%	-0.30%	3.43%	2.16%	1.10%
1-Week Price Change	6.04%	5.54%	2.59%	5.28%	5.60%	4.44%
4-Week Price Change	3.20%	4.29%	2.00%	4.20%	6.46%	2.27%
12-Week Price Change	8.53%	6.00%	10.57%	10.91%	6.49%	-7.47%
52-Week Price Change	-20.83%	-19.51%	1.69%	-5.62%	-7.88%	-47.94%
20-Day Average Volume (Shares)	18,157,006	4,466,987	1,827,096	56,756,440	15,849,442	35,788,664
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	-47.62%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	2.81%	0.00%	-47.62%
EPS F1 Estimate 12-Week Change	5.62%	13.40%	3.89%	13.40%	16.22%	-97.41%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	2.13%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	F
Momentum Score	B
VGM Score	F

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.